
**Public Employees'
Retirement Board**

This report contains the results of our financial-compliance audit of the Public Employees' Retirement Board (PERB) for the two fiscal years ended June 30, 2006. We issued an unqualified opinion on the financial statements for the fiscal year ended June 30, 2006. This means the reader can rely on the financial information presented. The financial audit of the PERB for the fiscal year ended June 30, 2005, was issued in a separate report (05-08).

Montana Public Employee Retirement Administration (MPERA) personnel prepared PERB financial statements from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) with adjustment. Adjustments are made to accurately present financial activity.

The financial-compliance audit report for the two fiscal years ended June 30, 2004, contained four recommendations to the PERB. The recommendations addressed seeking legislation to actuarially fund three of the retirement systems, compliance with the constitutional requirement prohibiting diversion of assets, laws governing PERS Defined Contribution Retirement Plan (DCRP) contribution transfers and allocations, and investment reconciliation controls. We determined the PERB implemented three of the recommendations and partially implemented one. The recommendation partially implemented is related to investment reconciliation controls and is discussed on page 9.

During our financial-compliance audit for the two fiscal years ended June 30, 2006, we also reviewed the prior audit recommendation from the fiscal year 2004-05 financial audit and determined the recommendation was not implemented as discussed on page 5 of this report.

The listing below serves as a means of summarizing the recommendations contained in the report, the board's response thereto, and a reference to the supporting comments.

Report Summary

Recommendation #1

We recommend legislation be enacted for funding changes to ensure the PERS-DBRP, SRS, and GWPORS are funded on an actuarially sound basis, as required by the Montana Constitution and state law. 9

Board Response: Concur. See page B-3

Recommendation #2

We recommend the PERB reconcile the PERS-DCRP and 457 plans external investment reports to SABHRS and resolve all differences..... 10

Board Response: Concur. See page B-4.